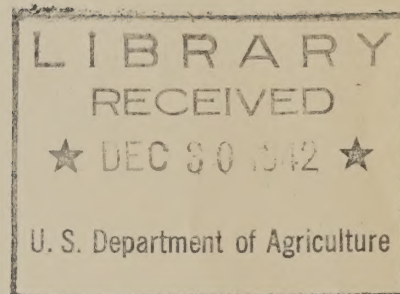


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UNITED STATES DEPARTMENT OF AGRICULTURE
U.S. Bureau of Agricultural Economics. Division of program surveys.

FARMERS AND THE PRICE SITUATION



(For Administrative Use Only)

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Division of Program Surveys

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SUMMARY

Section A -- Rural

1. Most farmers seem to be satisfied both with present prices of their products and with the present relationship between prices received and those paid out.

Corn Belt farmers most satisfied re price relation; Cotton and Eastern Dairy farmers least satisfied.

2. But farmers seem to be much more uncertain and pessimistic about the future, even one year from now, than they are about the present -- particularly as regards the extent to which their prices will keep step with the prices of commodities purchased, especially food, clothing, equipment and supplies.

Pessimism greatest in Wheat area; least in Corn Belt.

3. Majority of farmers in all regions favor having the Government do something about regulating farm product prices as well as prices paid by farmers.

- a. Wheat farmers most favorable but those in favor more than twice as numerous as those opposed in each region except Eastern Dairy area.
- b. Questioning about commodity loans, independently of price-fixing discussion, shows they are quite favorably regarded as price stabilizing mechanism.

4. Commodities mentioned most frequently as rising: Food, Clothing, Equipment and Supplies.

Section B --Urban-¹/₁

1. 60% of urban residents are either moderately or seriously worried about the rising cost of living, while only 16% indicate no real concern. Commodities mentioned most frequently as rising: food, clothing, rent. Most popular explanation as yet is profiteering.
2. 76% favor some form of Government control over prices.

Overall Urban and Rural Highlights

It may be significant that urban and rural people interviewed both seem agreed on these two points:

- a. Food and clothing prices are the items which are rising most rapidly.
- b. Some form of Government regulation of prices is needed.

¹/₁ New York City, Chicago and Cleveland, Birmingham and Memphis.

INTRODUCTION

Prices and price relations are one of the major facts in farm and urban living. Both rural and urban reactions to present and projected programs of all kinds are very materially influenced by the framework of price expectations through which they are viewed. This report presents the results of lengthy interviews with 1,051 farmers in 52 counties during the past three months^{1/} and with 240 residents of 5 large cities during the past two months.^{2/}

Section A -- Rural Material

Part I - Farmers' View of Present and Future Farm Product Prices

A. This Year's Farm Product Prices

1. Four-fifths felt that prices of their major crop would be good this year, or at least would probably keep rising; only 6% claimed that such prices would be poor, or would be falling by market time.
 - a. Such favorable expectations were marked in all regions, with more than three-fourths indicating such views in each region. Only in the Corn Belt was there any sizeable group (18%) expecting prices to be poorer at market time. (Details: Table I, Appendix).
 - b. Nearly one-third of the farmers attributed these expected price rises to various aspects of war and defense activities, including foreign war demand, domestic demand due to defense activities, etc. Only about 1 in 7 mentioned Government programs such as commodity loans in connection with improved prices. Thus it appears that, at least so far, war and defense activities very definitely overshadow Government programs as an element influencing farmer thinking.
2. How satisfactory were prices for crops being marketed or already marketed? 75% of those commenting on this point regarded them as quite acceptable, with only 1/6 voicing dissatisfaction.

In fact, only about 10% or fewer were dissatisfied in every region except the Eastern Dairy Area, which proved to be the single major section containing substantial opposition to present prices -- with 48% opposed to them and only 39% in favor. It is of interest to note that Western Cotton growers seem more satisfied with present prices than those in the Delta or in the Southeast.

1/ E.Dairy (144): N.H., Vt., Conn., N.Y., Pa.; Gt.Lakes Dairy (104): Mich., Wis., Minn.; Corn Belt (222): Ohio, Ind., Ill., Iowa., Minn., Nebr., Mo.; Wheat (77): N.D., S.D., Minn., Okla.; Ozark-Appalachian (145): N.C., W.Va., Ky., Tenn., Mo.; Cotton (369): N.C., S.C., Ga., Ala., Miss., La., Ark., Tex., Okla.

2/ Half in New York City, remainder from Cleveland and Chicago, and from Birmingham and Memphis.

B. Next Year's Farm Product Prices

1. Optimism regarding next year's prices for major crops was somewhat less marked than satisfaction with present prices. Nevertheless, about half of those indicating their expectations seemed optimistic while only 5% were clearly pessimistic.

Significant differences appear among regions in this connection. 75% in the Wheat area expect little or no change from present wheat prices, whereas about 2/3 in the Cotton area expect cotton prices to go up farther, and those in the Ozark-Appalachian area are equally optimistic about their own crops. Uncertainty is most widespread in the Eastern Dairy Region, where 35% are undecided about price prospects, while 42% are optimistic. Further analysis shows that while only 35% were optimistic in the Western Corn Belt, nearly twice that proportion were optimistic in the Eastern Corn Belt. (Details: Table II, Appendix.)

2. Comparison of price expectations for next year with price changes reported for the past year shows that only in the Corn and Cotton Belts and in the Ozark-Appalachian area are farmers as optimistic or even more optimistic about next year. The price outlook seems to be definitely more uncertain to Dairy farmers.

Part II - Farmers' View of Present and Future Economic Positions

A. Present Relation of Prices Paid to Prices Received

1. Although nearly all farmers pointed out that the cost of their purchases has risen, a large proportion do not seem to be particularly concerned about this as yet. Such comments as the following were heard repeatedly, "Oh, they've gone up some but not too much," "Prices of groceries are going up some but nothing to get worried about." The tenor of these comments is confirmed by the fact that while 41% of farmers felt that farmers were favored by present price relations, and while an additional 22% felt they were holding their own, only 31% claimed that farmers were being disadvantaged by present price levels.

Regional breakdown of the above figures shows a wide range from the Corn Belt, with 75% feeling that farmers are ahead and only 11% feeling that farmers have been disadvantaged, to the Cotton Belt and the Eastern Dairy Region, in each of which only one-fourth feel that farmers are benefiting while two-fifths feel they are being harmed by present price relations. (Details: Table III, Appendix.)

2. Food, clothing, equipment and supplies were mentioned most frequently as rising in price. While complaints about feed costs were quite prominent in the Eastern Dairy Region, Cotton farmers talked most about food and clothing and Great Lakes Dairy farmers protested against the rising costs of machinery and supplies.

Anticipated Solution of Prices Paid for Prices Received One Year from Now

Many farmers seemed to expect that the bias of price relations would have so far not harmed farmers very much about. While 52% felt that present price relations favored farmers, only 33% expected that to be the case one year from now. This came about not through an increase in the proportion who expected farmers to be disadvantaged, which remains 31%, but through an increase in the proportion who were uncertain. (Details: Tables III and IV, Appendix)

- a. Pessimism in this regard is greatest in the Wheat Area, with 58% feeling that farmers will be disadvantaged and only 2% feeling that farmers will continue to be favored, although an additional 15% believe that farmers' prices will keep step with other prices. On the other hand, nearly 2/3 of those in the Corn Belt expect their prices to keep in line with other prices or even to continue favoring them, while only 14% feel that they will be harmed by changing price relations. The proportion who feel uncertain hovered around 1/4 for each region except the Eastern Dairy, where 36% were in this category.
- b. Regional comparisons of farmers' views re effect of present price relations and the probable effect one year from now show the greatest reductions in optimism to have occurred in the Wheat, Great Lakes Dairy and Corn Areas. Most important differences, however, seem to be a rather lessened optimism in all areas.

Part III - Farmers' Price Problems and Government Action

Government Regulation of Farm Product Prices

1. Most farmers are in favor of having the Government regulate the prices of their farm products: 60% take such a position, while only 25% are opposed and 15% are undecided or neutral toward the idea.

More than twice as many farmers were in favor of price regulation as were opposed in every region except the Eastern Dairy where 47% were in favor and 35% opposed. Greatest favorable bias was found among wheat farmers (74% in favor, 20% opposed). Only 2% were neutral or undecided in this area.

2. Most farmers wanted the Government to do something to keep prices in adjustment but relatively few had definite suggestions as to the form which price control should take. The idea of retaining a fair parity relation was prominent although the term was seldom used. One Southern farmer commented, "The government has got to

balance the price of things, otherwise the farmers won't keep on farming. Either they got to give us higher prices for what we sell or they got to get the prices of stuff we buy in the store. They got to balance it some way." The basic motivations for favorable views toward Government price fixing seem to be: recognition of favorable prices at present; widespread fear that "other prices" may run away; and a very common belief that bad times are ahead after the war, the extent of the collapse being determined by the height of the boom.

The strongest support for price fixing came from the Ozark-Appalachian area and from the western part of the Corn Belt, while requests for minimum prices without maximum prices came most often from the Cotton and Great Lakes Dairy areas. Wheat farmers were especially cognizant of the marketing mechanism and many of them suggested using some form of market control over middlemen as the means for controlling prices.

3. Most farmers want the Government to exercise more control over prices than at present, and most of those favoring price control seem to view it as necessary now. Two out of three who wanted control of prices of things they sold implied that the situation is serious enough to call for action at once. Widespread satisfaction with present price relations seems to be part of the reason involved. As one farmer phrased it, "Things have never been so near in balance as they are now. Things have not run up too much -- sugar is normal, land values have not gone way up, interest is still reasonable and not 7% as in the last war. If the Government can keep things balanced, we will be O.K." Fewer than 1/3 of the 80% favoring Government regulation qualified their support by suggesting that such control begin only "if prices get out of line." One farmer's comment expressed the view of these people: "The Government should watch prices close and if things go ahead to go too high, control them so we won't have trouble when they start to fall. If they go too high, they'll get to where there's one direction left for them to go -- down."

B. Government Regulation of Prices Paid by Farmers

1. Big and large farmers seem to view price regulation with more favorableness whether it applies to things they buy or those they sell.

| | Wants Regulation | Against Regulation | Neutral or Undecided | Size of Sample |
|---------------|---------------------|-----------------------|-------------------------|-------------------|
| Things Bought | 54% | 21% | 15% | 932 |
| Things Sold | 50 | 25 | 15 | 508 |

2. Farmers want more control of prices of things they buy and they want it now. While 63% indicate or imply requests for action at the present time, only 18% indicate or imply a later time.
3. Most farmers want prices kept in adjustment. They don't know how but they trust the Government to accomplish it some way.

C. Attitudes Toward Commodity Loans

It may be relevant to this discussion of Government regulation of prices to mention farmers' reactions to one price stabilization mechanism already in use: commodity loans. Taking the sample as a whole, 51% approve of such loans, 11% disapprove and the remainder are undecided or neutral.

Regional figures show clearly that areas where loan activity is most marked are most favorable. In the Wheat Area, 93% are favorable, in Corn and Cotton, 57% and 58% respectively with one-fourth that number or less opposed. Disapproval is substantial only in the Great Lakes Dairy Area where 22% disapprove of loans, 24% favor them and 54% are neutral or undecided. Farmers in the Eastern Dairy Region seemed almost completely uninformed about loans and hence no figures are given for the area.

Further analysis indicates some differences within regions: (1) Western Cotton farmers were much more favorable to commodity loans (76%) than were those in Eastern growing areas (41%); (2) Disapproval of loans was somewhat greater among Eastern Corn Belt farmers than among those in the Western Corn Belt.

Section B -- Urban Data^{1/}

Part 1 -- Concern About Cost of Living

A. Importance of the Problem

Urban residents are very much concerned about the rising cost of living. Not only is the issue raised frequently and spontaneously but ratings by field men suggest that 80% of all those interviewed are either moderately or seriously worried about the matter, while only 16% indicate no real concern about this development.

Sharpening our focus on those who are seriously worried about the rising cost of living, we find in this group 43% of all who are unskilled, 35% of white collar workers, 26% of small owners and managers, and only about 15% of skilled workers and those in the professional and executive ranks.

^{1/} Based on 240 interviews obtained in last 2 months -- half in New York City, the rest in Chicago and Cleveland and in Memphis and Birmingham.

Major Commodities Involved

1. Food was mentioned most frequently (by 71%) among the items of rapidly rising cost followed, in order, by clothing (50%), rent 33%, durable consumers goods and, finally, taxes.

It may be of interest that in Birmingham and Memphis concerns over rising rent took second place behind food and ahead of clothing.

2. The most frequent, single explanation of these price rises was profiteering, mentioned by more than 35% of those interviewed. However, if all of the following Government activities are grouped -- shipping abroad, Government buying, Army demand, and even a few mentions of taxes -- we find that half the people mentioned at least one such Government activity as a cause of rising prices.

Part II -- Government Action on Prices

Price Control

78% favor some form of Government control over the price situation. Only 9% suggest that nothing be done, and only 5% think the problem is beyond control by the Government.

One person who was quite concerned that action be instituted suggested, "Put a price on everything that's a necessity of life. They call this an emergency, so they should do something about it."

APPENDIX

Table I

Prices Expected at Market Time This Year
Total and Regional Differences

| | <u>Expect Prices As Good or Better Than When Interviewed</u> | <u>Poorer Prices Expected</u> | <u>Undecided and Neutral</u> |
|--------------------|--|---------------------------------------|----------------------------------|
| <u>All Regions</u> | <u>84 %</u> | <u>6 %</u> | <u>10 %</u> |
| Eastern Dairy | 78 | 0 | 22 |
| Great Lakes Dairy | 94 | 2 | 4 |
| Corn | 76 | 18 | 6 |
| Ozark-Appalachian | 93 | 2 | 5 |
| Wheat | 91 | 1 | 8 |
| Cotton | 82 | 5 | 13 |

Sample: 900 Interviews

Table II

Price Expectations re Next Year Compared to This Year
Total and Regional Differences

| | <u>Optimistic</u> | <u>Neutral</u> | <u>Pessimistic</u> | <u>Undecided</u> |
|--------------------|-------------------|----------------|--------------------|------------------|
| <u>All Regions</u> | <u>52%</u> | <u>23%</u> | <u>5%</u> | <u>20%</u> |
| Eastern Dairy | 42 | 18 | 5 | 35 |
| Great Lakes Dairy | 49 | 38 | 4 | 9 |
| Corn | 47 | 22 | 11 | 20 |
| Ozark-Appalachian | 71 | 16 | 3 | 10 |
| Wheat | 9 | 77 | 0 | 14 |
| Cotton | 68 | 17 | 4 | 11 |

Sample: 804 Interviews

Table III

Effects of Present Price Relations
Total and Regional Differences

| | <u>Farmer Favored</u> | <u>Neither Favored Nor Harmed</u> | <u>Farmer Dis- advantaged</u> | <u>Undecided and Neutral</u> |
|--------------------|---------------------------|---------------------------------------|-----------------------------------|----------------------------------|
| <u>All Regions</u> | <u>41%</u> | <u>22%</u> | <u>31%</u> | <u>6%</u> |
| Eastern Dairy | 24 | 27 | 42 | 7 |
| Great Lakes Dairy | 42 | 16 | 35 | 7 |
| Corn | 75 | 11 | 11 | 3 |
| Ozark-Appalachian | 35 | 17 | 40 | 8 |
| Wheat | 31 | 53 | 10 | 6 |
| Cotton | 26 | 26 | 41 | 7 |

Sample: 879 Interviews

Table IV

Effects of Probable Price Relations One Year From Now
Total and Regional Differences

| | <u>Farmers Favored</u> | <u>Prices Will Keep Step</u> | <u>Farmers Dis- advantaged</u> | <u>Undecided and Neutral</u> |
|-------------------|----------------------------|----------------------------------|------------------------------------|----------------------------------|
| All Regions | <u>23%</u> | <u>21%</u> | <u>31%</u> | <u>25%</u> |
| Eastern Dairy | 22 | 19 | 23 | 36 |
| Great Lakes Dairy | 21 | 16 | 38 | 25 |
| Corn | 39 | 23 | 14 | 24 |
| Ozark-Appalachian | 26 | 17 | 29 | 28 |
| Wheat | 2 | 15 | 58 | 25 |
| Cotton | 17 | 26 | 36 | 21 |

Sample: 826 Interviews

Table V

Reactions Toward Government Regulation of Farm Product Prices
Total and Regional Differences

| | <u>Favors Regulation</u> | <u>Against Regulation</u> | <u>Undecided and Neutral</u> |
|--------------------|------------------------------|-------------------------------|----------------------------------|
| <u>All Regions</u> | <u>60 %</u> | <u>25 %</u> | <u>15 %</u> |
| Eastern Dairy | 47 | 35 | 18 |
| Great Lakes Dairy | 54 | 27 | 19 |
| Corn | 56 | 26 | 18 |
| Ozark-Appalachian | 58 | 28 | 14 |
| Wheat | 74 | 24 | 2 |
| Cotton | 66 | 19 | 15 |

Sample: 908 Interviews

Table VI

Reactions to Commodity Loans
Total and Regional Differences

| | Approves | Approves but Loan not High Enough | Disapproves | Neutral | Undecided |
|--------------------|------------|---|-------------|------------|------------|
| | <u>48%</u> | <u>3%</u> | <u>11%</u> | <u>15%</u> | <u>23%</u> |
| <u>All Regions</u> | | | | | |
| Great Lakes Dairy | 24 | 0 | 22 | 23 | 31 |
| Corn | 57 | 0 | 14 | 17 | 12 |
| Ozark-Appalachian | 22 | 5 | 5 | 8 | 60 |
| Wheat | 93 | 0 | 5 | 2 | 0 |
| Cotton | 53 | 5 | 10 | 17 | 15 |

Sample: 598 Interviews

